

**CALIFORNIA MEDICAL ASSISTANCE COMMISSION**

770 L STREET, SUITE 1000  
SACRAMENTO, CA 95814  
(916) 324-2726  
(916) 324-5597 FAX  
<http://www.cmac.ca.gov>

**CALIFORNIA MEDICAL ASSISTANCE COMMISSION**

State Capitol, Room 113  
Sacramento, CA

Minutes of Meeting  
March 9, 2006

**COMMISSIONERS PRESENT**

Cathie Bennett Warner  
Michele Burton, M.P.H.  
Diane M. Griffiths  
Vicki Marti

**CMAC STAFF PRESENT**

Keith Berger, Executive Director  
Enid Barnes  
Paul Cerles  
Denise DeTrano  
Holland Golec  
Ina Pewitt  
Steve Soto  
Michael Tagupa  
Mervin Tamai  
Carol Tate  
Karen Thalhammer

**COMMISSIONERS ABSENT**

Marco Firebaugh  
Teresa Hughes

**EX-OFFICIO MEMBERS PRESENT**

Bob Sands, Department of Finance  
Toby Douglas, Department of Health Services

**I. Call to Order**

The March 9, 2006 open session meeting of the California Medical Assistance Commission (CMAC) was called to order by Commissioner Cathie Bennett Warner. A quorum was present.

**II. Approval of Minutes**

The February 9, 2006 meeting minutes were approved as prepared by CMAC staff.

### **III. Executive Director's Report**

Keith Berger, Executive Director, indicated that he had a limited report because there was much to address in closed session regarding negotiation strategies and the status of current negotiations. He also indicated that there were sixteen amendments and contracts for Commission action in closed session during this meeting.

The Executive Director reported that all of the eligible hospitals for the Private Hospital and the Nondesignated Public (District) Hospital Supplemental Funds (Round 1B) have returned their "Intent to Participate" form. The deadline for these hospitals to submit their proposals is March 10, 2006. CMAC staff has begun to review some of the proposals already received and hopes to commence negotiations within the next week. It is the intent of CMAC staff to complete all hospital negotiations and recommend amendments for action by the Commission at its last meeting in April.

Concluding his report, Mr. Berger indicated that in closed session at this meeting there would be further discussion of negotiation-related issues regarding the structure and process for the Distressed Hospital Fund that were not able to be finalized at the end of February. Upon resolution of these issues, CMAC staff will finalize a timeline for the Distressed Hospital Fund process. He stated that the target now is to have the schedule ready by the Commission's March 23, 2006 meeting.

### **IV. Department of Health Services (DHS) Report**

Toby Douglas, Assistant Deputy Director, Medical Care Services, DHS, reported that agreement had been reached on Paragraph 14. The Centers for Medicare & Medicaid Services (CMS) has now authorized all the terms and conditions of the hospital waiver, and DHS is currently seeking final approval for the three State Plan Amendments (SPA) regarding hospital financing. These amendments would include the following: new inpatient rates methodology for Medi-Cal inpatient days, disproportionate share hospitals, and interns and residents. Without these State Plan Amendments, hospitals would still not be able to receive all of their supplemental funds, creating a major cash flow problem for the public hospitals. The Administration, however, was able to authorize the release of \$186 million in loans to assist nine public hospitals that had requested financial assistance. This financial aid provided these hospitals approximately 50 percent of the dollars they would have received under the old baseline formula.

Mr. Douglas also indicated that there is a \$400 million safety net care pool fund that will be distributed as financial assistance to all 22 public hospitals. DHS staff is diligently working to complete the submission of the three State Plan Amendments to CMS by March 23, 2006.

Regarding the coverage initiative component of the hospital-financing waiver, Mr. Douglas reported that DHS recently conducted a stakeholders meeting in Sacramento to discuss concept proposals. He stated that another stakeholders meeting would be held in Los Angeles to further discuss fundamental components of this coverage initiative. DHS staff will then work with the Legislature on a policy bill in order to submit a coverage initiative proposal to CMS by the federal deadline of September 1, 2006.

Mr. Douglas responded to a question raised by Commissioner Griffiths, indicating that, should legislation fail to pass and not be signed by the deadline date, there is a potential risk that the State would lose \$180 million in year three of the waiver.

Relating to managed care expansion, Mr. Douglas reported that several of the thirteen counties approved for managed care expansion in last year's budget, including Placer and El Dorado, would likely be geographic managed care. He stated that Placer County had decided to implement the Geographic Managed Care (GMC) program in March 2007, while El Dorado County is still assessing other options.

Concluding his report, Mr. Douglas indicated that the State continues to provide emergency prescription drugs for dual-eligible beneficiaries who are unable to obtain their prescriptions through Part D of the Medicare program. The federal government has extended its federal financial participation until the end of this month allowing the State to continue to receive 100 percent reimbursement.

Mr. Douglas stated that the federal government had reassessed the "growth factor" methodology for Medicaid prescription drug costs. The recalculation reduced the "claw back" amount to be returned to the Federal government by \$120 million. As part of the Federal legislation, the State was supposed to spend about 90 percent of what it would have spent if the State continued to provide drugs to the dual-eligible beneficiaries. Under the new calculations, the State is currently providing approximately 95 percent of the cost, so the Federal government has yet to reach its commitment level of 90 percent.

Mr. Douglas added that this allowed the Administration to end the 5 percent Medi-Cal provider rate cut that went into effect January 2006. On March 4, 2006, the rate cut was eliminated as a result of the "claw back" creating additional dollars for the State.

In response to a question raised by Commissioner Griffiths, Mr. Douglas clarified that, although the State was no longer losing money, it had hoped to save more money.

**V. New Business/Public Comments/Adjournment**

There being no further new business and no comments from the public, Commissioner Bennett Warner recessed the open session. Commissioner Bennett Warner opened the closed session, and after closed session items were addressed, adjourned the closed session, at which time the Commission reconvened in open session. Commissioner Bennett Warner announced that the Commission had taken action on hospital and managed care contracts and amendments in closed session. The open session was then adjourned.